

Message Text

CONFIDENTIAL

PAGE 01 STATE 013630
ORIGIN AF-08

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01
COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-06 SP-02
SS-15 STR-04 TRSE-00 ACDA-07 FEA-01 PA-01 PRS-01 /098 R

DRAFTED BY AF/W:EESVENDSEN:JWM
APPROVED BY AF/W:TWMSMITH
AF/EPS:JWHITE
EB/IFD/OIA:TBRODERICK (INFO)
-----201054Z 109156 /17
R 200147Z JAN 77
FM SECSTATE WASHDC
TO AMEMBASSY MONROVIA

CONFIDENTIAL STATE 013630

E.O11652: GDS

TAGS: EGEN, ENRG, LI

SUBJECT: LIBERIA REFINING COMPANY

REFS: A. STATE 5157; B. MONROVIA 195

1. BEGIN SUMMARY. SUN COMPANY OFFICIALS, HEADED BY HARRY W. NAGEL, MANAGER OF BUSINESS ANALYSIS AND TECHNICAL LIAISON OF SUN TRADING AND MARINE TRANSPORT, CALLED ON DIRECTOR AF/W JANUARY 11 TO DISCUSS FUTURE OF SUN'S LIBERIA REFINING COMPANY (LRC) OPERATIONS IN MONROVIA. ACCORDING TO NAGEL, LRC HAS NEVER PAID A DIVIDEND, AND IS BECOMING STEADILY LESS VIABLE BECAUSE GOL REFUSES TO ALLOW LRC TO PASS ON RISING PRICES OF CRUDE IN PRODUCT PRICE. CONSEQUENTLY, SUN WISHES RELINQUISH RESPONSIBILITIES OF LRC OWNERSHIP, PERHAPS BY TRANSFERRING EQUITY TO GOL, ALTHOUGH SUN IS PREPARED TO CONTINUE TO MANAGE LRC UNDER
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 013630

REALISTIC MANAGEMENT CONTRACT. SUN OFFICIALS WERE CALLING TO SO INFORM THE DEPARTMENT. END SUMMARY.

2. ACCORDING TO NAGEL, SUN HAS REACHED THE LIMIT OF ITS PATIENCE WITH THE GOL. CHRISTMAS DAY EXPLOSION/FIRE WAS ONLY UNFORTUNATE COINCIDENCE AND NOT DETERMINING FACTOR IN THEIR DECISION. HE COMPLAINED THAT GOL'S PRICING

POLICY HAS PREVENTED LRC FROM DECLARING A DIVIDEND SINCE

THE REFINERY BEGAN OPERATION ALMOST TEN YEARS AGO. THE DECISION TO INVEST IN THE REFINERY WAS FOUNDED ON THE BELIEF THAT THERE WERE QUANTITIES OF PETROLEUM LOCATED OFFSHORE LIBERIA. THE SMALL REFINERY (15,000 BARRELS/DAY) IS A RELATIVELY MARGINAL OPERATION TO SUN WHICH HAS MINIMAL OTHER INTERESTS SOUTH OF THE SAHARA.

3. THE FIRE CREATED A VERY UNCERTAIN SUPPLY SITUATION IN LIBERIA. ACCORDING TO NAGEL THE GOL, RECOGNIZING THAT IT MUST BE SEEN TO BE ACTIVE IN MEETING THE CRISIS, HAS GIVEN PUBLICITY TO CHARGES OF "INDUSTRIAL SABOTAGE", ARRANGED SOME DELIVERIES OF GASOLINE ON ITS OWN, AND ALLOWED THE PRINCIPAL CONSUMERS OF FUEL OIL, BONG AND LAMCO, TO SEEK THEIR OWN SUPPLIES. BY GOING OUTSIDE SUN'S NORMAL SUPPLY CHANNELS THE GOL, LAMCO, AND BONG HAVE CONTRACTED FOR POL AT PRICES IN EXCESS OF THOSE SUN COULD HAVE OBTAINED, AND SUN FEARS THAT THE GOL MAY FORCE LRC TO ABSORB THESE EXCESS COSTS. SUN'S OFFER TO ENSURE SUPPLIES OF POL WHILE THE REFINERY WAS DOWN BY ASSISTING LRC TO TO BUY ALL LIBERIAN REQUIREMENTS OF PRODUCT IN THE INTERNATIONAL MARKET WAS IGNORED. AT PRESENT RATE OF EXPENDITURE, LRC'S FINANCIAL RESOURCES, WHICH CONSIST PRINCIPALLY OF LINE OF CREDIT FROM CHEMICAL BANK THROUGH BANK OF LIBERIA IN MONROVIA, WILL BE EXHAUSTED BY APRIL 1.

4. NAGEL SAID SUN WAS WARNING DEPT. OF ITS DESIRE TO DIVEST ITSELF OF THE REFINERY BECAUSE IT REALIZED THERE
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 013630

WOULD BE AN EFFECT ON US-LIBERIAN RELATIONS. SUN HAS NOT, HOWEVER, DISCUSSED ITS WISHES WITH DYNALECTRON, A U.S. COMPANY WHICH OWNS 18 OF REFINERY. SUN'S GENERAL COUNSEL SAID IT WAS POSSIBLE THAT, IN ITS NEGOTIATIONS WITH THE GOL, SUN WOULD CLAIM THAT GOL PRICE CONTROLS AMOUNTED TO DE FACTO EXPROPRIATION. WE NOTED THAT CLAIM OF EXPROPRIATION COULD HAVE CONSEQUENCES FOR US-LIBERIAN RELATIONS, BUT THAT DETERMINATION OF WHETHER EXPROPRIATION HAS TAKEN PLACE DEPENDS ON CIRCUMSTANCES OF EACH CASE. IN SUBSEQUENT TELCON NAGEL ASKED IF THERE WERE ANY WAY USG COULD "FACILITATE" GOL ACQUISITION OF SUN'S EQUITY. WE SAID FURTHER COMMENT WOULD HAVE TO AWAIT OUTCOME OUR CONSIDERATION OF THE SITUATION IN CONJUNCTION WITH EMBASSY.

5. ACTION REQUESTED. WOULD APPRECIATE SOONEST
A) SUMMARY OF LRC SITUATION AND OF GOL ATTITUDES TOWARD LRC, B) EMBASSY'S ASSESSMENT OF EFFECT OF SUN PROPOSAL TO TRANSFER OR SELL EQUITY IN LRC ON GOL, AND ON USG/GOL RELATIONS, C) EMBASSY'S ASSESSMENT OF COURSES OPEN TO

SUN, D) EMBASSY'S ASSESSMENT OF CHEMICAL BANK'S RELATIONSHIP TO BANK OF LIBERIA AND WHETHER CHEMICAL'S OTHER INTERESTS IN LIBERIA WILL LEAD IT TO EXTEND FURTHER CREDITS

TO LRC, E) EMBASSY'S ASSESSMENT OF LIKELIHOOD GOL WOULD ALLOW A REALISTIC PRICING POLICY BY LRC. F) LIST OF LIBERIAN OFFICIALS PRINCIPALLY INVOLVED?

KISSINGER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, REFINERIES, INVESTMENT PROGRAMS, PRICE CONTROLS
Control Number: n/a
Copy: SINGLE
Sent Date: 20-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE013630
Document Source: CORE
Document Unique ID: 00
Drafter: EESVENDSEN:JWM
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770021-0511
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770132/aaaabbwd.tel
Line Count: 126
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ce1e61d3-c288-dd11-92da-001cc4696bcc
Office: ORIGIN AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STATE 5157, 77 MONROVIA 195
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 07-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3545438
Secure: OPEN
Status: NATIVE
Subject: LIBERIA REFINING COMPANY
TAGS: EGEN, ENRG, LI, US
To: MONROVIA
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/ce1e61d3-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009